

World Pork Overview

Total Pork Trade Forecast at Record Level for 2003; U.S. Exports Forecast to Increase for the 13th Consecutive Year

World Summary: Pork trade is forecast to continue growing in 2003. Total pork exports are forecast at a record 3.9 million tons in 2003, an increase of 2 percent over the estimated 2002 level. Despite a forecast decrease in the United States 2003 pork production, U.S. pork exports are forecast higher, while Brazil and Canada's export growth rate is forecast to slow from the 2002 estimated level. E.U. pork exports are forecast to increase as production expands. All the major pork import markets are forecast to rise above their estimated 2002 level. Although Japan has triggered the pork safeguard tariff, pork imports are forecast to increase to a record level in 2003. In Russia, an improving economy allows the pork import forecast to climb slightly. For the United States, both pork exports and imports are forecast at a record level.

Key Exporters:

- **United States:** U.S. pork production in 2003 is forecast to decline as producers respond to rising feed grain prices and fears of overproduction. As herds contract, pork production is forecast to decrease 2 percent from the 2002 level. Pork exports for 2003 are forecast at a record 726,000 tons as demand by major importers will help fuel exports. U.S. pork exports are still heavily concentrated in Japan and Mexico, 50 and 22 percent, respectively, of total U.S. pork exports. Pork imports are forecast to increase to a record 490,000 tons as pork products, mainly from Canada, continue to cross the border of this growing integrated market. Live hog imports from Canada are forecast to stabilize in 2003 at 6.0 million head as a fall in slaughter hog imports is equally offset by an increase in feeder hogs.
- **Brazil:** After the extraordinary growth of the last two years, pork export expansion for 2003 is forecast to slow to nearly 8 percent. Low production costs and recent investments to expand production and slaughter capacity have succeeded in making Brazil a major pork exporter. Brazil has budgeted \$3 million in a marketing program to promote foreign sales of pork. For 2003, the pork production growth rate is forecast to slow as relatively high feed costs will likely trim profit margins for hog producers. Brazil is expected to continue expanding exports in the coming years, but exports may begin to slow as traders must look to non-traditional markets for further growth. Most of the recent growth in pork exports to Russia has been in lower-priced frozen carcass and half-carcasses.
- **Canada:** Canada's pork exports are forecast at 815,000 tons in 2003, the 9th consecutive record. In 1999, Canada's pork production jumped sharply with the surplus being diverted to exports. The following year, Canada overtook the United States as the world's largest pork exporting country. The United States is the destination for almost 60 percent of Canadian pork exports. Trade between the United States and Canada is likely to continue to increase as meat markets - on both sides of the border - become "North American" in scope. Canada exports nearly 20

percent of its annual pig crop to the United States with about 65 percent of the total moving as feeder pigs. The proportion of feeder pig exports to the United States is increasing, especially as Canada gears up its pork slaughtering facilities to capture more slaughter-weight pigs. For 2003, hog exports are forecast unchanged at 6.0 million head.

- **European Union:** After the sharp decline in pork exports in 2001 due to foot-and-mouth disease (FMD), exports were revived in 2002 and are forecast to continue to climb into 2003. Pork exports for 2003 are forecast at 1.3 million tons, up 2 percent from the 2002 estimate. Processed pork continues to be eligible for export refunds, while export refunds for fresh/chilled/frozen pork were terminated in July 2000. The EU pig crop in 2003 is forecast to decline slightly as Netherlands and Belgium face environmental constraints and the United Kingdom struggles to recover from FMD. A forecast slight increase in pork output in 2003 will likely be carried over to exports as consumption is projected to be stable. Imports are forecast unchanged as EU processors have enough low priced material to meet domestic demand. However, double zero agreements are expected to keep imports from the Central and Eastern European Countries (CEEC) competitive in the EU, and prevent imports from falling significantly.

Key Importers:

- **United States:** Pork imports for 2003 are forecast at a record 490,000 tons, up 2 percent from the estimated 2002 level. Canada continues to be the dominant foreign supplier, accounting for approximately 80 percent of U.S. pork imports. Canada's competitiveness and proximity to the U.S. will continue to facilitate trade. In 2003, the EU is likely to regain only a part of its pre-FMD share of the U.S. pork market.
- **Hong Kong:** Pork imports for 2003 are forecast at a record 300,000 tons, up 5 percent from the estimated 2002 level as consumer demand for pork continues to increase. A sluggish economy, higher unemployment rate, and a recurrence of an avian disease outbreak in Hong Kong are causing consumers to switch to pork from other meats. In addition, consumer preferences are changing from freshly slaughtered meats to chilled/frozen meats due to gradual changes in eating habits and concern over sanitary conditions in the wet market. Pork imports from China continue to increase as the Chinese government now allows more than one agent to market its meat in Hong Kong.
- **Japan:** Pork production has been steadily declining due to the shrinking number of swine producers. From 1992 to 2001, the number of hog producers has dropped by one-third and at the same time, pork consumption has grown to a record level. Pork imports for 2003 are forecast at a record 1.2 million tons, 2 percent above the estimated 2002 level. The imposition of a safeguard tariff in August 2002, lasting through March 31, 2003, is expected to have little effect on pork imports. Pork imports have jumped over the past several years due, in part, to BSE and other food safety and labeling concerns with beef.

- Mexico:** Pork imports for 2003 are forecast at a record 310,000 tons, up 3 percent from the estimated 2002 level. Under NAFTA, import tariffs and tariff rate quotas (TRQs) on pork are scheduled to be eliminated on January 1, 2003. The U.S. accounted for about 85 percent of Mexican imports in 2001, while Canada supplied the balance. Under NAFTA, Canada has a much lower quota level than the United States before the 20 percent over-quota tariff could be applied. With the elimination of TRQs, Canada may become more competitive with the United States when all pork from the United States and Canada will have equal access to the Mexican market. Hog imports, mostly from the United States, are estimated at 200,000 head for 2002, but imports are forecast to decline 25 percent in 2003 as U.S. hog prices are projected to increase and the domestic hog industry continues to grow.
- Russia:** Pork imports for 2003 are forecast at 710,000 tons, up 1 percent from the estimated 2002 level. Suppliers of inexpensive meat cuts continue to do very well in the Russian market. Aided by a devaluation of the Real, Brazil has replaced the EU as the main supplier of pork, and accounts for almost 50 percent of Russia's imports. For the third consecutive year, pork consumption is projected to grow, increasing 5 percent due, in part, to an improving economy and stronger domestic pork sector. After bottoming in 2000, Russia's pork industry is beginning to grow with increasing investments and producers are expanding breeding stock to take advantage of inexpensive feed grain availability.

U.S. Pork Exports at a Record Level, But Remains Relatively Constant After Surging in 2001

